

FISCAL NOTE

HB 3909 - SB 4033

February 21, 2008

SUMMARY OF BILL: Enacts the Cumberland River Resort District Act of 2008. Authorizes any county bordering on, or crossed by the Cumberland River, or any municipality within three miles of the nearest bank of the Cumberland River, when such county ranks in the first quartile of county economic distress in the United States for FY08-09, the option of electing to become a Cumberland River Resort District (CRRD) for the purposes of being allocated a special 4.5925% share of actual state sales tax revenue collected and remitted by dealers within the boundaries of such districts in lieu of a 4.5925% allocation based on the population, and for the authority to sell liquor-by-the-drink.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$197,000

Increase Local Revenue – Net Impact – \$593,000

Assumptions:

- Local governments receive 4.5925% of state sales tax revenue under current law. Each county's share of this allocation is based on the county's respective population.
- Counties which are eligible for Cumberland River Resort District (CRRD) status can, in lieu of the allocation based on population, receive a special allocation equal to 4.5925% of state sales tax revenue actually collected and remitted from the jurisdiction if it has elected CRRD status.
- According to the Department of Economic and Community Development and the Department of Revenue (DOR), four counties meet the eligibility criteria specified in this bill to elect CRRD status: Clay, Jackson, Trousdale, and Stewart.
- According to DOR, all four counties would benefit from receiving the special allocation of state sales tax revenue. Therefore, all are expected to elect CRRD status.
- According to DOR, and based on sales tax collections remitted from the four eligible counties, approximately \$395,000 of state sales tax revenue

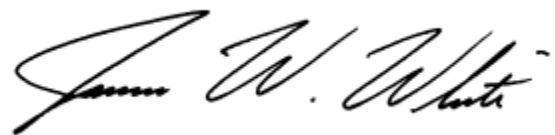
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would shift from the general fund to the four counties (Clay County would receive an additional \$100,000; Jackson County \$70,000; Trousdale County \$75,000; and Stewart County \$150,000).

- Eligible counties that elect CRRD status are authorized to sell liquor-by-the-drink. As a result, all four counties are expected to begin selling liquor-by-the-drink.
- Mixed drink tax revenue collections are estimated to be \$61,400,000 for FY08-09.
- 50% of mixed drink tax revenue is apportioned to local governments; 50% is apportioned to the state.
- According to the U.S. Census, the total population for Tennessee is estimated to be 6,156,719.
- The population of Tennessee adjusted for growth is estimated to be 6,200,000 in FY08-09.
- Mixed drink tax revenue per capita is estimated to be \$9.90 ($\$61,400,000 \div 6,200,000 = \9.90).
- Based on 2005 Census estimates, the combined total population for Clay County, Jackson County, Trousdale County, and Stewart County is 39,710.
- The combined total populations for Clay County, Jackson County, Trousdale County, and Stewart County adjusted for growth is estimated to be 40,000 in FY08-09.
- The increase to mixed drink tax revenue is estimated to be \$396,000 ($40,000 \times \$9.90 = \$396,000$) per year.
- The increase of state revenue derived from additional mixed drink tax revenue is estimated to be \$198,000 ($\$396,000 \times 50\% \text{ allocation} = \$198,000$) per year.
- The total increase of local government revenue derived from mixed drink tax revenue is estimated to be \$198,000 ($\$396,000 \times 50\% \text{ allocation} = \$198,000$) per year. Clay County's share is estimated to be \$39,800; Jackson County's share \$55,200; Trousdale County's share \$38,300; and Stewart County's share \$64,700.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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